

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 OES-03 FEA-01 INT-05 PA-01 PRS-01 L-03 H-02

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TO SECSTATE WASHDC 6362

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E.O. 11652: N/A

TAGS: EINV, EMIN, PFOR, PE

SUBJECT: NORTHERN PERU MINING CORPORATION NEGOTIATIONS -
CURRENT STATUS

REFS: A) LIMA 6607, B) LIMA 6461, C) LIMA 6138

1. ON AUGUST 14, FRANK ARCHIBALD, PRESIDENT OF SOUTHERN PERU COPPER CORPORATION, AND ALEX J. GILLESPIE, JR., VICE PRESIDENT AND CHIEF COUNSEL OF ASARCO, CALLED ON THE AMBASSADOR TO DISCUSS THE CURRENT STATUS OF NORTHERN PERU MINING CORPORATION (NPMC) NEGOTIATIONS, AS WELL AS MARCONA (REF A),

2. GILLESPIE SAID THAT NPMC HAD SENT AN ADDITIONAL LETTER THIS WEEK TO MINISTER OF ENERGY AND MINES FERNANDEZ MALDONADO REQUESTING A MEETING WITH MINISTRY OFFICIALS TO DISCUSS THE BUY-OUT ARRANGEMENTS. THE LETTER STATED THAT THE COMPANY COULD NOT ASSURE THE CONTINUING FUNCTION OF THE QUIRUVILCA OPERATION BEYOND THE END OF AUGUST. GILLESPIE SAID THAT THE MINISTRY AGREED TO HOLD A MEETING ON AUGUST 18. LATER IN THE DAY, HANS STEIN, THE NPMC MANAGER IN PERU,
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TOLD AN EMBASSY OFFICER THAT THE MEETING HAD BEEN MOVED

UP TO FRIDAY, AUGUST 15.

3. ON AUGUST 12 THE GOP PROMULGATED DECREE LAW 21237 WHICH CREATED A "SPECIAL OPERATIONS FUND" OF TWO BILLION SOLES (\$45 MILLION) THROUGH WHICH THE BANCO MINERO WILL PROVIDE FINANCIAL ASSISTANCE TO SMALL AND MEDIUM MINES WHICH FACE FINANCIAL DIFFICULTIES. LOANS WOULD BE REPAYABLE OVER FIVE YEARS AT SIX PERCENT INTEREST. THE LAW ALSO PROVIDES THAT LOANS OF UP TO THIRTY MILLION SOLES (\$650,000) MAY BE MADE IN "CRISIS SITUATIONS" BETWEEN AUGUST 12 AND 27. ACCORDING TO GILLESPIE, IN SUCH A CASE THE MINING COMMUNITY'S PARTICIPATION CERTIFICATES WOULD FORM A "PLEDGE" OR A GUARANTEE FOR THE LOAN. THUS, THE MINING COMMUNITY WOULD, IN EFFECT, MORTGAGE ITS PORTION OF ITS OWNERSHIP IN THE MINE TO THE STATE. GILLESPIE SPECULATED THAT THIS DECREE LAW WILL BE USED IN THE NPMC CASE.

4. ON AUGUST 14 GOP-OWNED "LA CRONICA" CARRIED TWO STORIES ATTACKING NPMC. ONE ARTICLE REPORTS THAT THE WORKERS HAVE ACCUSED THE COMPANY OF PLANNING TO SUPPLY THE "MERCANTILES" (COMPANY STORES) WITH FOOD AND MEDICINE ONLY UNTIL AUGUST 30, OF HAVING CANCELLED CONTRACTS FOR THE MAINTENANCE OF MACHINERY WHICH WILL RESULT IN THE PARALYSIS OF OPERATIONS, AND OF RATIONING COAL WHICH IS ESSENTIAL FOR COOKING AND FOR HEATING PRIVATE HOMES. THE SECOND ARTICLE ATTACKS ONE OF THE FOUNDATIONS OF NPMC'S ARGUMENT THAT ITS MINE IS UNECONOMIC. ACCORDING TO THE ARTICLE, THE WORKERS CLAIM THAT THERE ARE VARIOUS METHODS TO EXTRACT ARSENIC FROM COPPER ORE AND THAT NPMC HAS NOT USED THESE METHODS IN PERU IN ORDER TO SELL THE IMPURE COPPER TO THE TACOMA, WASHINGTON, REFINERY AT AN ARTIFICIALLY LOW PRICE. THE WORKERS ALLEGEDLY CLAIM THAT PERUVIAN ENGINEERS AT THE MINE HAD DEVELOPED A SYSTEM TO TREAT THE ORE BUT THAT THE FOREIGN ENGINEERS WHO RUN THE MINE HAVE FIRED THESE PERUVIANS. DEAN

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